

Message Text

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ACTION ARA-10

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FM AMEMBASSY MEXICO
TO SECSTATE WASHDC 1278
INFO TREASURY WASHDC
AMCONSUL MONTERREY BY POUCH

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EO 11652: N/A
TAGS: EFIN MX
SUBJECT: INVESTMENT CLIMATE

1. SUMMARY: WHILE LOPEZ-PORTILLO HAS CLEARED AWAY MANY
OF THE BAD FEELINGS TOWARD GOVERNMENT ON THE PART OF
MEXICO/S PRIVATE SECTOR, BUSINESSMEN ARE RELUCTANT
TO UNDERTAKE NEW INVESTMENTS, WAITING FOR MORE SPECIFIC
GOVERNMENT MEASURES. END SUMMARY.

2. IN HIS FIRST FOUR MONTHS IN OFFICE, LOPEZ PORTILLO
HAS MANAGED TO ELIMINATE MUCH OF THE TENSION THAT
DEVELOPED BETWEEN THE GOVERNMENT AND THE PRIVATE SECTOR
UNDER ECHEVERRIA. BUSINESSMEN LIKE JLP'S STYLE
AND FIND THE GOVERNMENT MORE ACCESSIBLE. ON MARCH 28,
JLP VISITED MONTERREY FOR A VIRTUAL LOVE FEAST WITH THE
MONTERREY BUSINESS GROUP. AMCONSULATE GENERAL MONTERREY
REPORTS THAT PRESIDENT SPENT MINIMUM AMOUNT OF TIME
WITH LOCAL GOVERNMENT OFFICIALS AND MAXIMUM AMOUNT OF
TIME WITH PRIVATE BUSINESSMEN. BERNARDO GARZA SADA,
LEADER OF THE MONTERREY BUSINESS COMMUNITY, WAS LAUDATORY
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TO LOPEZ-PORTILLO WHO RECIPROCATED, SAYING "HOW BEAUTIFUL
THAT YOUR FIRST PARTICIPATION IN PUBLIC HAS BEEN THIS
EXEMPLARY SPEECH, FULL OF SOCIAL EMOTION, FULL OF
PATRIOTIC SOLIDARITY, FULL OF THAT WHICH THE ANCIENT
ROMANS CALLED THE SENTIMENT OF A GOOD FATHER OF FAMILY."

3. PURPOSE OF MONTERREY MEETING WAS TO SIGN AN AGREEMENT

WITH MONTERREY BUSINESS GROUPS CALLING FOR INVESTMENTS OF 100 BILLION PESOS OVER THE NEXT SIX YEARS, WITH THE INVESTMENTS TO BE MADE THROUGHOUT THE COUNTRY. THIS IS ANOTHER IN THE SERIES OF PUBLIC SECTOR-PRIVATE SECTOR AGREEMENTS THAT HAVE BEEN NEGOTIATED. MONTERREY GROUP VIEWS THE AGREEMENT AS LARGELY SYMBOLIC WHICH IS THE SAME ATTITUDE EXPRESSED BY MEXICO CITY BUSINESSMEN TOWARD THE TEN PUBLIC-PRIVATE SECTOR AGREEMENTS SIGNED LAST DECEMBER.

4. WHILE RELATIONS HAVE IMPROVED, THE PRIVATE SECTOR REMAINS RELUCTANT TO UNDERTAKE NEW INVESTMENTS, WAITING TO SEE MORE CONCRETE MEASURES BY THE GOVERNMENT. MONTERREY BUSINESSMEN SAID THAT ONLY POSITIVE MEASURE TO DATE HAD BEEN LIMITATION OF MINIMUM WAGE INCREASE TO 10 PERCENT. BUSINESSMEN DISLIKE SEVERAL JLP MEASURES, IN PARTICULAR THE EXCESS PROFITS TAX AND THE SO-CALLED BASIC PRODUCTS PROGRAM. THEY ALSO CONTINUE TO COMPLAIN ABOUT PRICE CONTROLS AND THE GOVERNMENT'S RELUCTANCE TO LOOSEN THESE. THE GOM SEEMS TO BE RESPONDING TO BUSINESS CONCERNS ON THE EXCESS PROFITS TAX, BUT REMAINS VERY RELUCTANT TO LOOSEN PRICE CONTROLS BECAUSE OF THE IMPACT HIGHER PRICES COULD HAVE ON WAGE SETTLEMENTS.

5. BUSINESSMEN ALSO ARE CONFUSED REGARDING EXCHANGE RATE POLICY. WITH A WIDESPREAD BELIEF THAT THE PESO WILL DEPRECIATE TO ABOUT 30:L BY YEAR END, THEY ARE RELUCTANT TO TAKE ON ADDITIONAL DOLLAR DEBT. THEY ALSO HESITATE TO REPATRIATE CAPITAL. PESO CREDIT REMAINS LARGELY UNAVAILABLE.

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6. AS BEST WE CAN DETERMINE THERE HAS BEEN NO INCREASE IN PRIVATE SECTOR INVESTMENT NOR IS AN INCREASE LIKELY IN THE NEAR FUTURE.

7. FOREIGN DIRECT INVESTMENT SEEMS TO BE AFFECTED BY THE SAME FACTORS, PLUS THE GENERAL RESTRICTIONS EMBODIED IN MEXICAN LAWS. THERE HAS BEEN NO INDICATION OF A SHIFT IN GOM POLICIES RE FOREIGN DIRECT INVESTMENT, THOUGH SENIOR GOM OFFICIALS HAVE SPOKEN PUBLICLY ABOUT NEGOTIATING SPECIAL CONDITIONS FOR INVESTMENT PACKAGES CONSIDERED PARTICULARLY DESIREABLE.

8. GOM FEELS FRUSTRATED BY PRIVATE SECTOR'S CAUTIOUS ATTITUDE AND PROBABLY VIEWS QUADRIPARTITE COMMITTEE AS ANOTHER MEANS TO STRENGTHEN THE AURA OF GOOD RELATIONS BETWEEN PUBLIC AND PRIVATE SECTORS AND, HOPEFULLY, TO ACHIEVE CONCRETE RESULTS WHICH HAVE NOT YET EMERGED FROM THEIR OTHER EFFORTS. THOMPSON

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